**IN THE CIRCUIT COURT OF COLE COUNTY**
**STATE OF MISSOURI**

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| KEITH WENZEL, Director, Department of Insurance, State of Missouri,<br><br>Plaintiff,<br><br>v.<br><br>GENERAL AMERICAN MUTUAL HOLDING COMPANY, a Missouri Mutual Holding Company,<br><br>Defendant. | )<br>)<br>)<br>)<br>)<br>)<br>)<br>)<br>)<br>)<br>)<br>) | Case No. CV ____________ |

**STIPULATION OF FACTS RESPECTING EMERGENCY MOTION**

General American Mutual Holding Company ("GAMHC"), Metropolitan Life Insurance Company ("MetLife"), and Keith Wenzel, Director of the Missouri Department of Insurance ("the Director"), hereby stipulate that the following facts pertinent to the Emergency Motion of the GAMHC Rehabilitator for Entry of an Order Approving Certain Matters as to the Acquisition of GenAmerica Corporation are true, to the best of their knowledge, information and belief.

1. GAMHC owns 100% of the stock of GenAmerica Corporation, a Missouri corporation ("GAC"), which, in turn, owns 100% of the stock of General American Life Insurance Company, a Missouri stock life insurance company ("GALIC").

2. Part of GALIC's business consists of the issuance of funding agreements, which are insurance contracts that resemble short term bonds and serve as investment instruments. Many funding agreements sold by GALIC to institutional customers, such as pension, mutual and money market funds, had seven or thirty-day cash-in options.

3. GALIC began issuing funding agreements in 1993 when it entered into a business arrangement with ARM Financial, Inc. ("ARM"). GALIC and Conning Corporation, a GALIC subsidiary ("Conning"), formed a reinsurance and marketing relationship with ARM. The reinsurance arrangement provided for GALIC to transfer 50% of its funding agreement obligations to an ARM subsidiary, Integrity Life Insurance Company (AIntegrity@), but GALIC remained ultimately responsible to satisfy all required payments to the funding agreement holders.

4. Between 1994 and 1998, GALIC issued approximately $6.8 billion of funding agreements. One-half of GALIC's liability under such agreements, or $3.4 billion, was reinsured with Integrity. On information and belief, Integrity invested these funds in highly interest-rate-sensitive investments, which became difficult to sell at full value when the funding agreements were cashed in.

5. Because of these arrangements, in March 1999, Moody=s Investors Service ("Moody's") downgraded GALIC's rating. In light of ARM's decision in May 1999, to exit the

funding agreement business and ARM's own ratings decline, GALIC recaptured, effective July 26, 1999, the funding agreement business it had transferred to Integrity.

6. On July 30, 1999, Moody's further downgraded GALIC's rating, citing the termination of the Integrity arrangement and losses announced by ARM.

7. Because of the downgrade in GALIC's rating, many of the funding agreement holders exercised seven or thirty-day cash-in options that were contained in the funding agreements. GALIC had set aside substantial funds to satisfy funding agreement surrenders, but such funds proved to be inadequate. Between July 30 and August 4, customers holding approximately $4 billion in funding agreements demanded cash. This created severe pressure on GALIC's readily available cash to meet the surrender demands.

8. GALIC immediately attempted to raise the cash to satisfy the demands of its funding agreement customers through a sale of certain of its assets. By August 7, it was apparent that GALIC would be unable to sell sufficient assets to cover the funding agreement obligations without incurring losses that could adversely affect its ability to meet its obligations to all of its other policyholders.

9. On August 10, 1999, the Missouri Department of Insurance ("the Department") placed GALIC under administrative supervision pursuant to a supervision order. GAMHC then began exploring its alternative options under the oversight of the Director.

10. The ratings downgrade and the public disclosure of the problems faced by GALIC also had a negative effect on GALIC's ability to issue new life insurance business. It became clear that, absent a development that created confidence in the market, GALIC's life insurance business also would be at risk of deterioration. While this would not immediately threaten GALIC's ability to perform under its existing policies, it would result in a reduction in the overall value of the enterprise, thereby diminishing the return for GAMHC's members.

11. Following issuance of the supervision order, the Department worked closely with GALIC and GAMHC to resolve the crisis caused by the inability to satisfy the funding agreement surrenders in a fashion that would fully protect the members of GAMHC and the policyholders of GALIC. Both GALIC and the Director retained experienced investment banking advisors to provide strategic and financial advice with respect to the options. Time was of the essence, given GALIC's liquidity crisis and the attendant negative publicity.

12. GALIC's advisors recommended that the best means of preserving the value inherent in GALIC for the members of GAMHC and policyholders of GALIC was a sale of GAC (together with its subsidiaries, including GALIC), and so advised the Director. GAMHC thereupon quickly assembled a sale process designed to elicit offers for the purchase of GAMHC's stock in GAC. There were many expressions of interest in response to the sale process, and an auction developed that involved companies including MetLife.

13. In addition to an ultimate purchase of the stock in GAC, the Director also sought from the bidders an undertaking to implement interim arrangements to protect GALIC's policyholders and stabilize GALIC's funding agreement business ("Interim Arrangements"). The Interim Arrangements were to take effect in the time period prior to the closing of the sale of the GAC stock; they were necessary in order to restore confidence in GALIC, end the liquidity crisis, and preserve the value of GAMHC and its subsidiaries. The Director's advisors also concurred in this strategy of seeking the provision of Interim Arrangements from the successful bidder.

14. The auction process resulted in improvements in the bids, including the bid of MetLife, which improved from the standpoint of GAMHC (and its members) and GALIC (and its policyholders) in terms of, inter alia, the Interim Arrangements offered, the ultimate purchase price for the GAC stock, and limits on GAMHC's post-closing indemnification obligations.

15. The sale process culminated in the execution of a Stock Purchase Agreement between GAMHC and MetLife on August 26, 1999, as amended ("the Agreement"). GAMHC's Board of Directors approved the terms of the Agreement.

16. The Agreement anticipated that the sale of the GAC stock would take place in conjunction with rehabilitation proceedings respecting GAMHC. The Director, who was involved in the bidding process and the negotiations, authorized the Board of Directors of GAMHC to enter into the Agreement.

17. On September 17, 1999, the Circuit Court of Cole County, Missouri, entered an order of rehabilitation respecting GAMHC. This order appointed the Director as the rehabilitator of GAMHC ("the Rehabilitator"). As the Rehabilitator, the Director has proposed a plan of reorganization respecting GAMHC ("the Reorganization Plan"), and the Reorganization Plan implements the Agreement.

18. Article VII of the Agreement obligates GAMHC and MetLife to develop for the period from the date of the Agreement through the closing date under the Agreement programs to provide support for GALIC's and certain of its subsidiaries' new and existing policies and a stabilization program to address the funding agreement business. The stabilization program consists of an exchange program whereby MetLife offered to each holder of a GALIC funding agreement contract the right to receive, at the holder's choice, (i) a MetLife exchange contract or (ii) cash on October 1, 1999, in consideration for the transfer by GALIC to MetLife of assets equal to the market value of the liabilities under the pertinent funding agreements being exchanged, plus a payment of up to $120 million to be transferred in three $40 million installments: $40 million at inception of the exchange, $40 million 90 days after inception, and $40 million 180 days after inception. Upon the closing of the sale of GAC stock to MetLife, and in accordance with the Agreement, MetLife will make a capital contribution of up to $120 million to GALIC pursuant to ' 6.20 of the Agreement.

19. Article VII of the Agreement incorporates MetLife's obligation to provide Interim Arrangements, which were sought by GAMHC and the Director for the reasons described

above. These Interim Arrangements are intended to defuse the liquidity crisis, restore confidence and stability in the GALIC business, and enhance the value of GAMHC and its subsidiaries. MetLife is undertaking a substantial obligation under Article VII of the Agreement.

20. Article XI of the Agreement concerns the circumstances under which the Agreement may be terminated prior to the closing date contemplated thereunder, and the parties' respective obligations upon termination, including GAMHC's obligation to pay a $50 million termination fee to MetLife. MetLife would not have entered into the Agreement without this termination fee provision. All bidders who engaged in the negotiation of a purchase agreement during the process described above sought the incorporation of a substantial termination fee in any formal agreement to consummate the purchase of stock in GAC.

21. In the setting in which GAMHC sought to auction GAC, protection to the successful bidder in the form of a termination fee was essential. MetLife has expended significant sums on due diligence, financial advice from investment bankers, and legal advice, and before entering into the Agreement required assurances that it would be compensated in the event the transaction fails to close. MetLife has created significant value by establishing a floor price that must be exceeded, and defining the structure of the eventual transaction that takes place, even if the original deal does not eventually close. MetLife's obligations to provide Interim Arrangements respecting funding agreements pursuant to Article VII, ' 7.1(c) of the Agreement are to continue, notwithstanding termination. MetLife has undertaken a substantial obligation in this regard, and that obligation remains even if MetLife does not eventually purchase the GAC

stock. Under these circumstances, GAMHC and the Director, upon the advice of their respective advisors, have determined that the $50 million termination fee is appropriate.

22. Article XII and Sections 6.2, 6.3 and 6.4(c) of the Agreement set forth a number of provisions respecting, inter alia, future amendment of the Agreement, interpretation of its provisions, and governing law.

23. The Agreement does not specify any means by which competing bids may be presented, considered or evaluated.

24. The Rehabilitator has proposed a set of procedures which would, inter alia, set a deadline for receipt of overbids (October 27, 1999), establish appropriate financial criteria that must be met by overbidders, require that any competing overbid must contain terms and conditions identical (except for financial terms) to those in the Agreement and exceed the purchase price in the Agreement by at least $100 million (thereby guaranteeing that any termination fee paid to MetLife as a result of the GAC stock being awarded to an overbidder would be more than covered by the overbidder), permit MetLife to counter any overbid, provide for the Rehabilitator to make a recommendation with respect to any overbids, and direct final resolution by the Court overseeing GAMHC's rehabilitation.

Stipulated and agreed to this 17th day of September, 1999.

STATE OF _____________ )<br>
) SS:<br>
COUNTY OF ___________ )

Each of the undersigned, having first been sworn on their oath, swears that the facts stated in the above Stipulation are true to the best of their knowledge, information and belief.

| General American Mutual Holding Company | Metropolitan Life Insurance Company |
|---|---|
| By:_________________________________ | By:_________________________________ |
| Its:_________________________________ | Its:_________________________________ |

Keith Wenzel, Director of the Missouri
Department of Insurance

By:_________________________________

Its:_________________________________

SUBSCRIBED AND SWORN to
before me this ____ day of
September, 1999.

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Notary Public

My Commission Expires:

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